

July 27, 2015

Via Electronic Filing

U.S. Environmental Protection Agency  
EPA Docket Center  
Docket ID No. EPA-HQ-OAR-2015-0111  
Mail Code 2821T  
1200 Pennsylvania Avenue, NW  
Washington, DC 20460

**Docket ID No. EPA-HQ-OAR-2015-0111**

Re: Renewable Fuel Standard Program: Standards for 2014, 2015, and 2016 and Biomass-Based Diesel Volume for 2017 (June 10, 2915)

Dear Administrator McCarthy,

Renewable Energy Group, Inc. (REG) appreciates the opportunity to present comments to the Environmental Protection Agency (EPA) on the above-referenced Proposed Rule entitled: Standards for 2014, 2015, and 2016 and Biomass-Based Diesel Volume for 2017.

As the nation's largest producer and marketer of biomass-based diesel, we have a strong interest in the continued strength and growth of the Renewable Fuel Standard (RFS) and we agree that the fundamental object of the RFS is to increase the use of renewable fuels in the U.S. REG supports the EPA's efforts to grow the biomass-based diesel and advanced biofuel programs in the near future and beyond, but we believe this proposal leaves room to grow biomass-based diesel and advanced biofuel. With a current annual nameplate production capacity of 332 million gallons of biomass-based diesel at our 9 biorefineries, REG will continue to deliver increasing amounts of high-quality, cleaner and lower carbon advanced biofuel. We will continue to build upon our leadership in this industry as we expand and diversify feedstocks, production, distribution and consumption of biomass-based diesel fuel. REG believes that the experience it has gained over the last 19 years in the biofuels industry makes us uniquely qualified to share comments with you on the 2014, 2015, 2016 and 2017 RFS markets.

According to the EPA's own calculations, biodiesel delivers more significant greenhouse gas emissions reductions than any other domestic, commercial-scale fuel on the national market. It is supporting tens of thousands of jobs across the country, and perhaps most importantly, it is helping us diversify our fuel supplies and reduce our dangerous dependence on petroleum. Our dependence on a finite commodity – oil – threatens not only our economic stability but also our national security. We should be working as aggressively as we can to encourage the development of clean alternative fuels so that we aren't leaving future generations with a continued dependence that will only become more dangerous as global supplies are depleted. The six criteria for biodiesel growth outlined in the RFS statute have clearly been met and the benefits are clear in terms of cost-effective pollution reduction, job creation, tax revenues and energy security.

It is clear that the U.S. biodiesel industry has the ability and capacity to increase production above and beyond the standards called for in your recent proposal, particularly when you consider the potential for sharply increased imports qualifying for the RFS.

EPA has evaluated the biofuels markets with the intent to balance what can be “reasonably expected to be produced and consumed” in an effort to propose accurate and “forward looking” standards. It was noted, however, that the primary considerations in setting the standards are **production capacity** and **availability of feedstocks**. REG has provided, and will continue to provide, additional data and market insights that support more significant volume increases for biomass-based diesel and advanced biofuels fuels that are more in line with not only statutory intent, but also current and projected market demand.

We would like to highlight the following areas where we feel additional, market-based data supports more robust increases to the biomass-based diesel and advanced biofuel volumes and provide comments to proposed regulatory changes. Furthermore, as we share many of the concerns articulated by the National Biodiesel Board, we incorporate their comments by reference where they do not conflict with our own.

#### **Biomass-Based Diesel Market:**

EPA has proposed setting the standards based on what can “reasonably be expected to be produced and consumed” while claiming that there are constraints in supplying certain biofuels to customers. REG does not agree with this and would like to provide EPA with additional information about the growing market for biomass-based diesel including distribution infrastructure and heating oil use.

The steady growth of biodiesel use has allowed blending and distribution infrastructure to increase at a steady pace to meet increasing demand. Biodiesel is distributed utilizing the existing fuel distribution infrastructure with blending occurring at both fuel terminal and “below the rack” by fuel jobbers. Biodiesel is also being distributed through the petroleum terminal system. Retail locations offering biodiesel and biodiesel blends have also expanded dramatically. As of March 2015, there were at least 2,168 public locations where biodiesel is available. National Biodiesel Board, Biodiesel Industry Overview & Technical Update, Mar. 2015, <http://biodiesel.org/docs/default-source/ffs-basics/biodiesel-industry-and-technical-overview.pdf?sfvrsn=12> (noting availability of biodiesel at 1,088 retailers, 469 truck stops, and 611 distributors). Currently, the two largest travel centers in the U.S. have consistently increased their biomass-based diesel blending capabilities and now have over 500 blending locations where fuel is blended with biodiesel in concentrations up to 20% (B20). These blends are offered to fleet and other diesel consumers for use in existing engines. Blends of B20 are typical in many markets, biodiesel is readily available, cheaper than diesel and allows B20 blends to be competitively priced to conventional petroleum diesel fuel. In fact, it is more common to see biodiesel blends in the market over 5% (B5), especially with state incentives for higher blends (Iowa, Illinois, Minnesota, Texas). See U.S. Department of Energy, Alternative Fuels Data Center, Search Federal and State Laws and Incentives (Biodiesel), available at [www.afdc.energy.gov](http://www.afdc.energy.gov).

But, there are more blending and distribution capabilities available in the market with more than 2,500 travel center locations in the U.S. serving the over the road trucking industry (<http://trucker.com/truck/stops>). **The continued development and evolution of biodiesel blending in the travel center industry indicates there is room for increasing consumption of biodiesel in the market thereby supporting higher RVO volumes for biomass based diesel.**

In addition, the heating oil industry is using ever increasing volumes of biodiesel in the nearly 8 billion gallon heating oil market. Residential, commercial and industrial boilers (combined) account for the second leading consumption of diesel fuel behind the on-highway segment, according to the EIA. The National Oilheat Research Alliance (NORA) sees biodiesel in increasing concentrations with the eventual goal of reaching full B100 penetration by 2050. To facilitate these higher volumes, 5% biodiesel was incorporated into the ASTM D396 fuel oil standard in 2008, a new B6-B20 grade in D396 was approved earlier this year, and ASTM will start balloting up to B100 in D396 beginning in 2016. **These increasing volumes of biodiesel in heating oil should be accounted for with additional increases in the biomass-based diesel volume requirements.**

#### **Low-Cost, Low-Carbon feedstock Utilization:**

From 2013-2014, **84% of the biomass-based diesel REG produced came from waste oils, fats and greases.** These feedstocks reduce GHG emissions by more than 80% compared to diesel fuel, a reduction comparable to cellulosic feedstocks. As the industry continues to expand, we are continually moving toward low-cost, low-carbon feedstocks. See NBB Attachment, David DeRamus, Ph.D., Bates White Economic Consulting, Biodiesel Renewable Fuel Standard: Updated Analysis of Cost of Carbon Reduction and Contribution to US CO<sub>2</sub> Goals, PowerPoint Presentation, Draft dated June 29, 2015. EPA found that there would likely be "no significant GHG impact" if a higher or lower biomass-based diesel volume was set. We wholeheartedly disagree. **Based on a recent feedstock supply study by LMC International, commissioned by the National Biodiesel Board, qualifying feedstock availability is not an issue as the biomass-based diesel volume continues to grow; there is increased availability of qualifying waste fats, greases and inedible corn oil, as well as soy and canola oil. Based on the report conclusions, in 2015 there is enough qualifying feedstock for 6.8 billion gallons of biodiesel. See NBB Attachment, LMC International, Current and Future Supply of Biodiesel Feedstocks (July 2015). See NBB Attachment, ABF Economics, Impacts of Biomass-Based Diesel Production on the Animal Fats, Waste Greases and Inedible Plant Oils Industry (2013). See NBB Attachment, Centrec Consulting Group, LLC, Biodiesel Demand for Animal Fats and Tallow Generates an Additional Revenue Stream for the Livestock Industry (Sept. 2012). REG has, and will continue to, update the EPA with advances in these markets.**

#### **Imports:**

Based on available EMTS data, from 2010-2012, imported volumes of biomass-based diesel represented, on average, 6.5% of the total biomass-based diesel volume. In 2013 and 2014, imports increased dramatically to represent nearly 20% of the biomass-based diesel volume. According to U.S. Census and EIA data, imports of biodiesel through May have more than doubled in 2015 compared to the same time

last year. Significant increases can be seen from Indonesia, Argentina, Singapore (renewable diesel) and Korea. See NBB Table: U.S. Imports of Biodiesel & Renewable Diesel HTS 3826.00.1000. These imports are expected to increase substantially, if not in 2015, certainly by 2016. **Given EPA's proposed biomass-based diesel volumes, the additional foreign capacity to an already overfull domestic U.S. marketplace would negatively impact biodiesel producers.** The effect of adding hundreds of millions of gallons of new imported biodiesel on top of the proposed already smaller market place would create a disastrous marketplace for U.S. biodiesel producers.

In particular, imports of soybean-based biodiesel from Argentina are likely to grow significantly. Based on Agencia Maritima Nabsa S.A. (NABSA) data, there are currently more than 20 million gallons of Argentine biodiesel scheduled to be loaded on vessels with the U.S. listed as the reported destination in the next 30 days (<http://www.nabsa.com.ar/VesselLineUp.php>). On an annualized basis this is well in excess of the 100 million gallons projected by CARBIO. USDA has found that the U.S. biodiesel market is expected to be the "most active destination," with exports at 625 million liters (165 million gallons) in 2015 and 750 million liters (198 million gallons) in 2016. See USDA Foreign Agricultural Service, Argentina: Biofuels Annual 2015, GAIN Report, July 1, 2015, available at [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Biofuels%20Annual Buenos%20Aires Argentina 7-1-2015.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Biofuels%20Annual%20Buenos%20Aires%20Argentina%207-1-2015.pdf). See also, NBB comments section VII. While we feel the GAIN report is conservative in its estimates, their projection supports imports larger than 100 million gallons.

#### Capacity Update:

In addition to the 332 million gallons of capacity and plants cited previously, REG has an additional four biorefineries, in various stages of completion, with an annual nameplate capacity of 150 million gallons. **We will update EPA as these plants and this capacity becomes available for the market.**

#### 2014 Biomass-based Diesel Volume:

REG believes that EPA's method of calculating the number of RINs supplied in 2014 for biomass-based diesel is not accurate. Rather than set the volume at 1.7 billion gallons in 2014 based on production, EPA proposes a biomass-based diesel volume of 1.63 billion gallons based on "RIN Supply." EPA has proposed to define "supply" as "the number of BBD RINs that were available for compliance in 2014." "Supply would thus include RINs that were generated for renewable fuel produced or imported in 2014 as recorded in EMTS, minus any RINs that have already been retired or would be expected to be retired to cover exports of renewable fuels or for any other purpose other than compliance." REG believes that EPA must set the volume at actual production, not based on "RIN Supply" for compliance. The volume for 2014, then, should be at least 1.8 billion gallons to account for the additional renewable diesel production (2.7 B RINs/1.5 EV = 1.8 B). This number already accounts for "corrections" based on invalid RINs or volume errors, but NBB does not believe further reductions are necessary to reflect other RIN retirements, including exports. This renewable fuel was generated in compliance with the regulation and market factors determined the most effective end use, had the 2014 RVO been in effect, these gallons may have been used for a qualifying domestic use. Additionally, registered renewable fuel producers have the ability to generate RINs upon sale or production; based on this flexibility many companies that produce



renewable fuel for export do not generate RINs on that product. (RIN generation for fuel that will be exported is not required by EPA) Thus, utilizing EIA data on exports does not indicate if RINs were ever generated on that product. **Therefore, the 2014 supply of biomass-based diesel RINs should be, at least, 1.8BG.**

#### **Advanced Biofuel Volume Certainty:**

**Certainty that the statutory volumes of advanced biofuel can be met comes from a strong and growing biomass-based diesel requirement.** The biomass-based diesel volume has allowed the advanced biofuel statutory volume to be met, representing over 80% of the advanced program each year since 2010 and almost 99% of the 2.75 billion gallons required for 2013. Based on EPA registered domestic and foreign biodiesel and renewable diesel facilities, there is over 5 billion gallons of registered capacity. Unfortunately, EPA admits that the proposed volumes are “at levels below what we anticipate can be actually produced and used for compliance.” The industry can meet the goals set out by Congress, but, given Congress’s directives and goals, and real world evidence, it is simply unreasonable to keep the advanced biofuel volume below 4 billion gallons, as EPA proposes to do for two more years.

#### **Proposed Amendments to the Regulations:**

##### Algal Oil

EPA proposed to clarify the definition of algal oil to specify that algae must be grown photosynthetically and that “algae grown through other means is likely to have different lifecycle GHG emissions impacts” and, therefore, would need to apply for a pathway petition. REG supports this regulatory clarification. This information has been provided as informal guidance to the industry in the past, updating the regulations to include this guidance benefits the renewable fuel community.

##### Reporting Date Changes

EPA also proposed changes to the annual compliance report and attest engagement deadlines under the RFS program. While REG is only required to submit the attest engagement on an annual basis, we support these updated reporting deadlines for both reports. EPA will benefit from having this reported information in a timely manner so they can properly implement the RFS program.

On behalf of REG, I would to thank EPA for the work you have put into this multiyear RVO proposal. Biomass-based diesel is not just proof that the RFS is working, it is a shining example of just how good public policy can and should work – creating jobs and economic growth while protecting our environment and enhancing energy security. We should be building our domestic industry, and doing so requires strong policy signals.

We ask that you reconsider the biomass-based diesel and advanced biofuel standards in your May proposal and finalize stronger standards, particularly for 2016 and 2017. The biodiesel industry has previously requested volumes of 2.4 billion gallons in 2016 and 2.7 billion gallons in 2017. While we

continue to believe those volumes are readily achievable and sustainable, particularly with rising imports, we ask now that you set the standards for not less than 2 billion gallons for 2016 and 2.3 billion gallons for 2017.

We are also requesting steady growth in the overall "Advanced Biofuels" program to accommodate biodiesel and renewable diesel which has more than 5.0 billion gallons of registered capacity at EPA and converts to at least 7.5 billion ethanol equivalent gallons of Advanced Biofuels. We think anything less than 4 billion gallons (at least for 2016) should be considered unreasonable.

If you have any questions about our comments, please do not hesitate to contact me at [anthony.hulen@regi.com](mailto:anthony.hulen@regi.com).

Thank you for your consideration.

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**To:** Group A-AND-R-DOCKET[A-AND-R-DOCKET@epa.gov]  
**No String Available:** A-AND-R-DOCKET[A-AND-R-DOCKET@epa.gov]  
**From:** Korotney, David  
**Sent:** Tue 7/28/2015 5:32:35 PM  
**Subject:** FW: Your Comment Submitted on Regulations.gov (ID: EPA-HQ-OAR-2015-0111-1308)  
Growth Energy - 2014-2016 RFS Comment with exhibits.pdf

Duplicate to ED000569\_003756

See message below.

**From:** MacAllister, Julia  
**Sent:** Tuesday, July 28, 2015 1:26 PM  
**To:** Korotney, David  
**Subject:** FW: Your Comment Submitted on Regulations.gov (ID: EPA-HQ-OAR-2015-0111-1308)

**From:** Lehn, David [mailto:David.Lehn@wilmerhale.com]  
**Sent:** Tuesday, July 28, 2015 12:58 PM  
**To:** MacAllister, Julia  
**Subject:** FW: Your Comment Submitted on Regulations.gov (ID: EPA-HQ-OAR-2015-0111-1308)

Ms. MacAllister:

I apologize for adding to what is likely a very full inbox already. I am writing to try to correct a clerical error regarding the comment submitted last night for Growth Energy. The confirmation for the submission is below. It appears that the comment was mistakenly submitted as a comment on another comment (by the SDSA), rather than as a stand-alone comment on the proposed rule. Would it be possible to correct this so that Growth Energy's comment is treated as a stand-alone comment? If you need additional contact information or other information, I would be happy to provide it. For your convenience, I have attached the comment, as well.

Thank you for your assistance.

--David

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**From:** Regulations.gov [<mailto:no-reply@regulations.gov>]  
**Sent:** Monday, July 27, 2015 9:23 PM  
**To:** Lehn, David  
**Subject:** Your Comment Submitted on Regulations.gov (ID: EPA-HQ-OAR-2015-0111-1308)

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Agency: Environmental Protection Agency (EPA)

Document Type: Rulemaking

Title: Comment submitted by John Horter, President, South Dakota Soybean Association (SDSA)

Document ID: EPA-HQ-OAR-2015-0111-1308

Comment:

I am submitting the attached comment for Growth Energy. - Tom Buis, CEO, Growth Energy.

Uploaded File(s):

- Growth Energy - 2014-2016 RFS Comment with exhibits.PDF

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**To:** daniel.gaona@tamu.edu[daniel.gaona@tamu.edu]  
**From:** Korotney, David  
**Sent:** Tue 2/17/2015 5:58:33 PM  
**Subject:** Re: Respectfully request to discuss the future of Ethanol Industry  
2014 standards NPRM - FR notice.pdf

Publicly available

Mr. Gaona,

Julia MacAllister is a member of our clerical staff who manages incoming queries on many different rulemakings. She is not an expert in the RFS program.

The most recent publicly available information on the status of the RFS program can be found in the Notice of Proposed Rulemaking that was published on November 29, 2013. It is attached. The Executive Summary on pages 71734 - 71738 explains most of what the RFS program is intended to accomplish. For a discussion of ethanol specifically, see pages 71758 - 71762.

**From:** Daniel Gaona [mailto:daniel.gaona@tamu.edu]  
**Sent:** Sunday, February 15, 2015 4:49 PM  
**To:** MacAllister, Julia  
**Subject:** Respectfully request to discuss the future of Ethanol Industry

Good day Ms. MacAllister,

My name is Dan Gaona, and I am a current MBA student at Texas A&M University. My team and I are working on a project with a start-up company that can increase the yield of ethanol by 20%. My task is to conduct research on the market and future of the ethanol industry.

I came across your contact information through the Federal Register / Volume 79, No. 236 / Tuesday, December 9, 2014 discussing the Renewable Fuel Standards implemented by the EPA.

Would you be available for a phone call this Wednesday to discuss the market and future of ethanol in our country. It would be great to receive the feedback from a leader who has the expertise and experience in a leading agency that impacts the Bio-fuels industry (specifically, ethanol).

Thank you for your consideration!

V/r,

**Dan Gaona** // FT MBA Candidate - Class of 2016

Texas A&M University // Mays Business School

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**To:** erwin.hieltjes@booz.com[erwin.hieltjes@booz.com]  
**From:** Korotney, David  
**Sent:** Tue 12/9/2014 3:28:26 PM  
**Subject:** Cellulosic waiver credit price calculations  
[2013 standards final rule - FR version.pdf](#)  
[2012 standards Final Rule - Federal Register](#)  
[2011 standards Final Rule in Federal Register.pdf](#)

{Publicly available}

Erwin,

A summary of the calculations of the cellulosic waiver credit price was provided in the final rulemakings for each of the annual standard-setting rulemakings for the past several years. In some cases there was an additional document submitted to the docket for each rulemaking that provided more details. I have attached the final rulemakings for 2011 - 2013. See the following pages:

2011 standards rulemaking: page 76824

2012 standards rulemaking: page 1349 (note that the section title incorrectly says "2011 Price for Cellulosic Biofuel Waiver Credits")

2013 standards rulemaking: page 49798

I am aware of only two memos to the docket:

Memo to docket number EPA-HQ-OAR-2010-0133 from Scott Christian, on the subject of "Calculating the price for cellulosic biofuel waiver credits for compliance year 2011," dated October 20, 2010.

Memo to docket number EPA-HQ-OAR-2010-0133 from Scott Christian, on the subject of "Calculating the price for cellulosic biofuel waiver credits," dated September 30, 2011.

Both documents can be found through Regulations.gov.

If you have further questions, please contact Deborah Adler-Reed at 734-214-4223, [adlerreed.deborah@epa.gov](mailto:adlerreed.deborah@epa.gov).

David